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GENERAL

1. Possible Nationalist reshuffle in Taiwan--US Consul General MacDonald in Taipei reports a conversation with K.C. Wu, the ex-mayor of Shanghai, in which Wu commented that General Sun Li-jen's actions in Taiwan were being hampered by the "old generals'" and by Governor Chen Cheng in particular. Remarking that Chen Cheng should be replaced, Wu said that he would be willing to assume the governorship, if necessary. MacDonald suggests that the stage thus appears to be set for the selection of a new governor, if the US cares to make such a suggestion, and adds that, even without the immediate addition of other US aid, a combination of Wu as Governor and Sun as military commander, together with the appearance of US military advisors, probably would instill new life and hope among the increasingly defeatist Taiwanese and Chinese.

(CIA Comment: CIA believes that no action, short of US armed occupation, can prevent eventual Communist control of Taiwan.)

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